Proposals Threaten State-Shared Local Government Revenues

By Joe McCoy, Senior Legislative Advocate, IML

Proposals to cut state-shared revenue to local governments were floated from two different sources this week. Both the Illinois Policy Institute and the Senate Republican Caucus offered forth budget proposals that outlined a variety of spending reductions to grapple with the state's budget deficit.

In a document released on March 15 and entitled "Budget Solutions 2012," the Illinois Policy Institute advocates the following:

"Budget Solutions 2012 recommends that most transfers of general revenue funds be stopped. This would result in a significant reduction to funds transferred into the Local Government Distributive Fund. On balance, most local governments can afford to budget without LGDF assistance. If, however, lawmakers felt that the LGDF should maintain a fund balance above what Budget Solutions 2012 would allow, they could examine replenishing funds from other non-general-revenue sources that are passed on to local governments through antiquated formulas."

Two days later, on March 17, the Illinois Senate Republican Caucus released a plan entitled "Reality Check: A Plan for Reality-Based Budgeting." The Senate Republican Caucus plan also calls for reductions in state-shared local government revenue. Specifically, the report states the following:

"Review the over $6 billion that local governments receive in revenue sharing from the State of Illinois. They receive around 6% of income tax receipts, over half of all gas tax receipts, 20% of sales tax receipts on items other than food and drugs, 100% of sales tax receipts on food and drug purchases, and 100% of revenues from the Personal Property Replacement Tax. A $300 million reduction represents around 5% of those revenues. This approach has been suggested by many groups including the Governor's Taxpayer Action Board, the Illinois Policy Institute and the Civic Committee. Targeted Savings: $300 million"

The IML is opposed to ANY reductions in state-shared municipal revenue.

State-shared revenue is critical for municipal services. The IML believes that the return of these tax dollars to local communities for the purpose of providing public services is the single-most visible and effective return on investment that taxpayers can possibly receive. Local governments provide the core services that are most important and impactful to Illinois residents. Municipalities pave local roads, provide water and sewer services to businesses and residents, offer police and fire protection, provide recreational opportunities, and, as recent history has borne out, clear the snow.

Furthermore, local governments in general, and municipal governments in particular, have been making responsible budget choices to reduce costs and manage natural revenue reductions during the current economic downturn. Difficult choices and sacrifices have already occurred in communities throughout Illinois.

It is imperative that local officials contact their state legislators and insist in the strongest possible terms that local government revenue must not be reduced in any way as part of a "solution" to the state budget deficit.